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IN THE

Supreme Court of the United States

OCTOBER TERM, 1951

No. 150

THE EASTERN VENETIAN BLIND COMPANY,
Petitioner,

vs.

ACME STEEL COMPANY,
Respondent.

EASTERN'S REPLY TO RESPONDENT'S BRIEF IN OPPOSITION

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Acme's Misuse and Its Failure to Purge

Acme argues that "Since neither that Court [of Appeals] nor the District Court found that there was any misuse at any stage, no 'purge' was necessary on June 9, 1950" (Brief in Opposition, p. 13; see also, p. 9).

This is pure sophistry. The Court of Appeals, after discussion of the issue of misuse, concluded (R. IV: p. 960):

> "The effect of all the foregoing, we think, is not to preclude plaintiff with respect to the future, but is merely to bar the right of plaintiff to recover damages for infringement of the three patents held to be valid *until plaintiff had purged the licenses of the objectionable restrictions.* Since this purge was not completely accomplished until June 9th, 1950, damages are not recoverable for any infringement prior to this date" (see also, p. 961).

And, as indicated, the District Court was reversed in its holding that there had been no misuse (R. IV: pp. 961-962).

Therefore, the basic premise upon which Acme opposes Eastern's petition, is false. However, it goes on (Br. in Op., p. 13):

> "Since there never was a finding of misuse, how could there be any 'evil consequences to be dissipated' on June 9, 1950, or at any other time? The burden surely was upon Eastern, not only to show that there was misuse, but also to show the existence of evil consequences to be dissipated."

Eastern has borne the burden of showing misuse and the Court of Appeals has held that misuse existed both with respect to Acme's original second stage licenses and those licenses as revised in July 1948.

But, having shown misuse, Eastern has sustained its burden; and the burden of showing that the "evil consequences" of its misuse have been dissipated, is on Acme (*B. B. Chemical Co.* v. *Ellis,* 314 U. S. 495, 498).

Acme has not sustained this burden. And it is not sustained by the verbal revisions of June 9, 1950. Once before—in 1948—those licenses were verbally changed for the professed purpose of purifying—but the record here shows the changes did not purify at all (Br. in Supp., p. 3). And Acme has not shown that the 1950 revision in any way dissipated the illegal effects inherent in the earlier agreements and equally inherent in the current ones.

Acme next undertakes to justify the provision in its second stage licenses which required its licensees to practice that stage solely "with the use of slat stock produced by the practice of the first stage of said process." In this connection it says (Br. in Op., p. 16):

> "That was the only right that could be given them because, as pointed out above at page 4, the Wilson

'434 patent contains no process claims on the second stage alone but only on the second stage when practiced in conjunction with the first stage."

This is inaccurate and misleading. Claim 6 of Wilson '434 is to the *apparatus* of the second stage and Acme could have granted a license under that claim. And many of the claims of that patent are to the *process* of the first and second stages combined and Acme could have granted a license under those claims. But, neither a second stage apparatus license nor a combined first and second stage process license would have allowed Acme and Thomas to control the sale of unpatented slat stock; and the second stage licenses here in issue did precisely that, for they limited the licensees' source of supply to Acme and Thomas and, possibly, an infringer. And if the licensees bought from an infringer, Acme could dry up the supply. Contrary to Acme's argument here, if a licensee, using apparatus within the scope of Claim 6 of the '434 patent, practiced the second stage with strip steel not subjected to the first stage of Wilson '434, he would have no license at all and would be an infringer, and an infringer who, without reservation, had acknowledged the validity of that patent.

Not only are the second stage licensees unlawfully limited in their purchase of unpatented materials, but since, as Acme says, "the Wilson '434 patent contains no process claims on the second stage alone," the patent monopoly on the first stage plus the second stage confers no rights in the second stage, as such. Thus Acme has withheld the grants it legally might have made and it has granted something it didn't have. In *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U. S. 661, this Court made a statement which, while directed to a product patent, has equal application to a process patent and is pertinent here (pp. 667-668):

"Since none of the separate elements of the combination is claimed as the invention, none of them when

> dealt with separately is protected by the patent monopoly * * *. Whether the parts are new or old, the combination is the invention and it is distinct from any of them."

So also: *Mercoid Corp.* v. *Honeywell Co.*, 320 U. S. 680, 684.

The basic vice of Acme's attempt to license something which it doesn't have is further highlighted by this Court's decision in *U. S.* v. *Univis Lens Co.*, 316 U. S. 241. That case, like this one, dealt with a licensing system involving several classes of licenses. These licenses related to eyeglass lens and lens blanks, one licensee being licensed to manufacture the blanks and others being licensed to grind and polish them for use, or, as this Court expressed it, to "practice in part the patent" (316 U. S. 247). The situation there differed from that here in that the licensing system was used as a means for price fixing. But the Acme system was used as a means for controlling the sale of unpatented slat stock—an equally unlawful misuse of patents.

Here, the slat stock sold by Acme and Thomas, like the lens blanks of the *Univis* case (316 U. S. 249), can only be used for treatment in the second or finishing stage (R. I: p. 7) and the "only object of the sale is to enable" the second stage licensee to form it into Venetian blind slats.

And here, as in the *Univis* case (316 U. S. 251), a purchase from Acme or Thomas of slat stock gave the purchaser the right to practice the balance of the process. Thus, there is not and there never has been justification for any second stage licenses at all, and they, like the licenses of the *Univis* case (316 U. S. 254), should be entirely suppressed.

The Wilson '678 Patent

Acme opposes the grant of Eastern's petition with respect to Wilson '678 because, it says, Eastern's conten-

tion "*assumes* that the Court of Appeals did not consider all of the claims when there is nothing in the Court's opinion to justify that conclusion" (Br. in Op., pp. 21-24).

But there is. First, the Court, without reference to claims, says the patent "appears to us to be a valid patent" (R. IV: p. 954). Then it says that "This improvement consists essentially *of adding* a third stage *to the two-stage process* of First Wilson." This can only mean that the Court thought the claims comprised the steps of the first stage plus the steps of the second stage plus the steps of the third stage. And Acme attempts to foist this view on this Court, saying (Br. in Op., p. 6):

> "This highly advantageous result was accomplished by *combining* the two stages of the first patent *with* a third stage during which the metal strip is progressively and temporarily flattened *as it passes from the forming rolls of the second stage.*"

Claims 7 and 8, however, are simply to flexing "an elongated metal strip" to a flat cross-section. And finally, since the Court held that "there is certainly nothing anticipatory [of the second Wilson] in Morse" (R. IV: p. 954) and since Morse does show such flexing, and can be distinguished *only if the steps of the first and second stages are added* to those recited in claims 7 and 8, the Court could not separately have considered those claims.

Respectfully submitted,

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